

SUPERIOR COURT OF ARIZONA
MARICOPA COUNTY

TX 2005-050220

09/25/2008

HON. THOMAS DUNEVANT, III

CLERK OF THE COURT
S. Brown
Deputy

PRESSON PV FIFTEEN LLC, et al.

RICHARD H LANE

v.

MARICOPA COUNTY

TIMOTHY WATSON

UNDER ADVISEMENT RULING

The salient facts, as stipulated by the parties, are as follows. The properties comprise an office building, a restaurant, and associated parking. For tax year 2006, they were valued at \$8,408,089 FCV and \$7,116,299 LPV; for tax year 2007, the figures were \$8,425,247 and \$7,761,460 respectively. Plaintiff appealed the figures for both years to the State Board of Equalization, and has filed a timely appeal of the Board's determination with this Court. The Court has considered the evidence presented at trial.

The Court must begin with the presumption that the valuation produced by the Assessor is correct. A.R.S. § 42-16212(B). While the burden on the taxpayer is not a heavy one, it must still be overcome. The Court does not find Plaintiff's evidence to be sufficient to overcome the presumption. The key issue, from the Court's perspective, is the rental rate that could have been obtained in the free market for the two properties. It is for that reason that it denied the County's Motion for Summary Judgment, believing that a question of fact remained as to whether the "stabilized" rent accurately reflected what could in reality have been obtained for those particular properties. The Court finds both experts, Mr. Turner and Mr. McReynolds, to have been credible, but Mr. Turner's testimony, if anything, supported the County's hypothesized rate. He did not establish that the figure he derived using the income method reflected a more accurate imputed rent rather than merely a lower-than-expected return on investment. Mr. Barton's testimony too tended to support the higher imputed rent of the County. In real estate sales, purchase price is a function of the revenue – i.e., rent – that can be extracted from the property,

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so a higher purchase price imports higher rents. Plaintiff did not present sufficient evidence as to actual rental rates for similar property to support a finding that the Assessor's figures were inaccurate, and the Court is not persuaded that Mr. Barton, a sophisticated investor, paid a significantly higher price than the market return shortly after the purchase would justify.

The Court therefore finds and it is ordered and adjudged that the 2006 figures arrived at by the State Board of Equalization and the 2007 figures arrived at by the Assessor and affirmed by the Board are the proper figures.